

**ALTA MUNICIPAL UTILITIES &
ALTA MUNICIPAL BROADBAND COMMUNICATIONS UTILITY
(A Component Unit of the City of Alta, Iowa)**

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

December 31, 2015

**T. P. ANDERSON & COMPANY, P.C.
Certified Public Accountants**

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ALTA MUNICIPAL UTILITIES & ALTA MUNICIPAL BROADBAND COMMUNICATIONS UTILITY
(A Component Unit of the City of Alta, Iowa)

OFFICIALS

December 31, 2015

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Kevin Walsh	Chairman	resigned June 2015
Julie Fast	Chairman	June 2018
Ryan Broderson	Trustee	resigned January 2015
Todd Peterson	Trustee	June 2017
Josh Corbin	Trustee	June 2016
Tom Walter	Trustee	June 2020
Joe Hill	Trustee	June 2021



T.P. ANDERSON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Alta Municipal Utilities and Alta Municipal Broadband Communications Utility
Alta, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the major funds of Alta Municipal Utilities and Alta Municipal Broadband Communications Utility (the Utility), a component Unit of the City of Alta, Iowa, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Utility's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Qualified Opinions

As more fully described in Note 7 to the financial statements, GASB No. 45 requires employers to measure and disclose an amount for its annual OPEB (Other Post Employment Benefits) cost on the accrual basis of

accounting. Management of the Utilities has chosen not to measure or disclose this liability. In our opinion, this potential liability should be measured and reported in accordance with the standards.

Qualified Opinions

In our opinion, except for the effects of the matter disclosed in the Basis for Qualified Opinions paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of Alta Municipal Utilities and Alta Municipal Broadband Communications Utility, a component Unit of the City of Alta, Iowa, as of December 31, 2015, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 16 to the financial statements, the Utility adopted new accounting guidance related to the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No. 27*. Our opinions are not modified with respect to this matter.

Emphasis of a Matter

As discussed in Note 16 to the financial statements, the Electric Fund corrected an error in the Transmission Capital Asset balance. Our opinion is not modified with respect to this matter.

Other Matters

The financial statements of Alta Municipal Utilities and Alta Municipal Broadband Communications Utility as of December 31, 2014 were audited by other auditors whose reports dated May 26, 2015 expressed unmodified opinions on those statements.

Required Supplementary Information

Management has omitted management's discussion and analysis (MD&A) that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not modified with respect to this matter.

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as the budgetary comparison information, the Schedule of the Utility's Proportionate Share of the Net Pension Liability and the Schedule of Utility Contributions on pages 25-30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Alta Municipal Utilities and Alta Municipal Broadband Communications Utility's basic financial statements. The schedules of operating revenue and expenses on pages 31-35 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of revenue and expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of revenue and expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated June 10, 2016 on our consideration of the Alta Municipal Utilities and Alta Municipal Broadband Communications Utility's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Alta Municipal Utilities and Alta Municipal Broadband Communications Utility's internal control over financial reporting and compliance

T.P. Anderson & Company, P.C.

June 10, 2016

BASIC FINANCIAL STATEMENTS

**ALTA MUNICIPAL UTILITIES & ALTA MUNICIPAL BROADBAND COMMUNICATIONS
UTILITY
A COMPONENT UNIT OF THE CITY OF ALTA
BALANCE SHEET
AS OF DECEMBER 31, 2015 and 2014**

	Electric Utility Fund	
	2015	2014 not restated
Current Assets		
Cash and cash equivalents- Unrestricted	\$ 506,110	\$ 226,930
Cash and cash equivalents- Restricted	295,896	376,982
Accounts receivable	297,734	298,780
Due from the City of Alta (fire station)	-	25,291
Inventories	86,801	74,131
Accrued interest receivable	-	152
Prepaid expenses	28,550	20,883
Total current assets	<u>1,215,091</u>	<u>1,023,149</u>
Capital Assets		
Land	135,913	70,913
Plant, facilities and equipment	5,886,537	5,864,127
	<u>6,022,450</u>	<u>5,935,040</u>
Less accumulated depreciation	<u>(2,308,061)</u>	<u>(2,338,717)</u>
	3,714,389	3,596,323
Construction in progress	-	-
Total capital assets	<u>3,714,389</u>	<u>3,596,323</u>
Other Assets		
Non-utility property - net of accumulated depreciation	14,642	14,642
Prepaid water tower maintenance	-	-
NIMECA investments	111,809	195,295
Deferred patronage refund receivable	26,715	21,583
Total other assets	<u>153,166</u>	<u>231,520</u>
Total assets	<u>5,082,646</u>	<u>4,850,992</u>
Deferred Outflows of Resources		
Pension related deferred outflows	<u>23,863</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 5,106,509</u>	<u>\$ 4,850,992</u>

See Notes to Financial Statements

Water Utility Fund		Communications Utility Fund		Total	
2015	2014 not restated	2015	2014 not restated	2015	2014 not restated
\$ 44,838	\$ 38,970	\$ 236,557	\$ 470,790	\$ 787,505	\$ 736,690
51,357	-	-	-	347,253	376,982
91,928	62,336	85,289	27,100	474,951	388,216
-	-	-	-	-	25,291
5,332	5,332	-	-	92,133	79,463
-	-	-	-	-	152
3,133	3,215	3,450	3,540	35,133	27,638
196,588	109,853	325,296	501,430	1,736,975	1,634,432
-	-	-	-	135,913	70,913
3,665,403	3,690,135	3,456,896	3,570,456	13,008,836	13,124,718
3,665,403	3,690,135	3,456,896	3,570,456	13,144,749	13,195,631
(1,263,998)	(1,164,782)	(2,841,091)	(2,979,127)	(6,413,150)	(6,482,626)
2,401,405	2,525,353	615,805	591,329	6,731,599	6,713,005
-	-	286,097	-	286,097	-
2,401,405	2,525,353	901,902	591,329	7,017,696	6,713,005
-	-	-	-	14,642	14,642
41,325	50,025	-	-	41,325	50,025
-	-	-	-	111,809	195,295
-	-	-	-	26,715	21,583
41,325	50,025	-	-	194,491	281,545
2,639,318	2,685,231	1,227,198	1,092,759	8,949,162	8,628,982
17,963	-	28,175	-	70,001	-
\$ 2,657,281	\$ 2,685,231	\$ 1,255,373	\$ 1,092,759	\$ 9,019,163	\$ 8,628,982

**ALTA MUNICIPAL UTILITIES & ALTA MUNICIPAL BROADBAND COMMUNICATIONS
UTILITY**

A COMPONENT UNIT OF THE CITY OF ALTA

BALANCE SHEET-Continued

AS OF DECEMBER 31, 2015 and 2014

	Electric Utility Fund	
		2014
	2015	not restated
Current Liabilities		
Accounts payable	60,803	38,793
Payables - Collections for City	79,834	78,239
Customer deposits	42,375	44,100
Unearned revenue	-	-
Current maturities of revenue bonds	255,000	250,000
Other current and accrued liabilities	10,814	17,369
Total current and accrued liabilities	448,826	428,501
Long-Term Liabilities		
Electric revenue bonds - net of current portion	1,008,041	1,260,722
Net Pension Liability	89,394	-
	1,097,435	1,260,722
Total liabilities	1,546,261	1,689,223
Deferred Inflows of Resources		
Pension related deferred inflows	34,577	-
Net Position		
Net investment in capital assets	2,451,348	2,100,243
Restricted	253,521	528,176
Unrestricted	820,802	533,350
Total net position	3,525,671	3,161,769
Total liabilities, deferred inflows of resources, and net position	\$ 5,106,509	\$ 4,850,992

See Notes to Financial Statements

Water Utility Fund		Communications Utility Fund		Total	
2015	2014 not restated	2015	2014 not restated	2015	2014 not restated
23,927	56,853	38,290	38,320	123,020	133,966
-	-	-	-	79,834	78,239
-	-	-	-	42,375	44,100
-	-	61,820	2,650	61,820	2,650
80,000	80,000	17,026	-	352,026	330,000
9,612	8,483	10,543	11,250	30,969	37,102
113,539	145,336	127,679	52,220	690,044	626,057
1,630,687	1,698,475	181,575	-	2,820,303	2,959,197
67,288	-	105,547	-	262,229	-
1,697,975	1,698,475	287,122	-	2,820,303	2,959,197
1,811,514	1,843,811	414,801	52,220	3,772,576	3,585,254
26,028	-	40,826	-	101,431	-
690,718	746,877	703,301	591,328	3,845,367	3,438,448
51,357	49,461	-	-	304,878	577,637
77,664	45,082	96,445	449,211	994,911	1,027,643
819,739	841,420	799,746	1,040,539	5,145,156	5,043,728
<u>\$ 2,657,281</u>	<u>\$ 2,685,231</u>	<u>\$ 1,255,373</u>	<u>\$ 1,092,759</u>	<u>\$ 9,019,163</u>	<u>\$ 8,628,982</u>

ALTA MUNICIPAL UTILITIES & ALTA MUNICIPAL BROADBAND COMMUNICATIONS UTILITY
A COMPONENT UNIT OF THE CITY OF ALTA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

	Electric Utility Fund	
	2015	2014
		not restated
Operating revenues:	\$ 1,775,077	\$ 1,703,788
Operating expenses:		
Purchased power & programming	562,638	554,567
Local plant operations	134,131	148,644
Generating plant - Walter Scott 4	306,716	265,493
Distribution maintenance expenses	59,105	92,293
Administrative and general	212,124	209,550
Energy conservation economic development	5,967	10,252
Total operating expenses	1,280,681	1,280,799
Operating income (loss)	494,396	422,989
Non-operating revenues (expenses):		
Revenues from merchandising	6,733	3,845
Cost of merchandising	(9,950)	(9,153)
Interest earned on investments	2,131	1,608
Interest expense	(35,654)	(40,624)
Gain/(loss) on disposition of assets	(214)	-
Amortization of bond issuance discounts	(2,320)	(2,651)
Non-operating income	(39,274)	(46,975)
Income (loss) before transfers	455,122	376,014
Transfers in (out):		
Payments to the City of Alta	(42,000)	(42,000)
Transfers in (out)	-	-
Total transfers in (out)	(42,000)	(42,000)
Increase (decrease) in net position	413,122	334,014
Total net position, beginning of year	3,161,769	2,827,755
restatement of beginning net position	(49,220)	-
Total net position, beginning as restated	3,112,549	2,827,755
Total net position, end of year	\$ 3,525,671	\$ 3,161,769

See Notes to Financial Statements

Water Utility Fund		Communications Utility Fund		Total	
2015	2014 not restated	2015	2014 not restated	2015	2014 not restated
\$ 473,267	\$ 471,489	\$ 788,643	\$ 784,446	\$ 3,036,987	\$ 2,959,723
-	-	462,092	430,018	1,024,730	984,585
168,241	162,959	-	-	302,372	311,603
-	-	-	-	306,716	265,493
77,477	68,890	102,828	103,427	239,410	264,610
216,655	200,308	264,740	242,389	693,519	652,247
50	119	-	-	6,017	10,371
462,423	432,276	829,660	775,834	2,572,764	2,488,909
10,844	39,213	(41,017)	8,612	464,223	470,814
-	-	-	-	6,733	3,845
-	-	-	-	(9,950)	(9,153)
-	-	-	-	2,131	1,608
(32,857)	(35,450)	(3,045)	-	(71,556)	(76,074)
(92)	-	8,093	-	7,787	-
-	-	-	-	(2,320)	(2,651)
(32,949)	(35,450)	5,048	-	(67,175)	(82,425)
(22,105)	3,763	(35,969)	8,612	397,048	388,389
-	-	-	-	(42,000)	(42,000)
80,000	-	(80,000)	-	-	-
80,000	-	(80,000)	-	(42,000)	(42,000)
57,895	3,763	(115,969)	8,612	355,048	346,389
841,420	837,657	1,040,539	1,031,927	5,043,728	4,697,339
(79,576)	-	(124,824)	-	(253,620)	-
761,844	837,657	915,715	1,031,927	4,790,108	4,697,339
\$ 819,739	\$ 841,420	\$ 799,746	\$ 1,040,539	\$ 5,145,156	\$ 5,043,728

ALTA MUNICIPAL UTILITIES & ALTA MUNICIPAL BROADBAND COMMUNICATIONS UTILITY
A COMPONENT UNIT OF THE CITY OF ALTA, IOWA

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

	Electric Utility Fund	
	2015	2014 Not restated
Cash flows from operating activities:		
Cash receipts from customers	\$ 1,741,330	\$ 1,667,538
Cash receipts from other operating revenues	33,068	33,390
Cash payments to suppliers	(977,695)	(955,942)
Cash payments to employees	(158,350)	(195,526)
Net cash provided by operating activities	638,353	549,460
Cash flows from noncapital financing activities:		
Received from the City of Alta on loan	25,291	25,211
Cash receipts from interfund transfers	-	-
Cash payments for interfund transfers	-	-
Paid to the City of Alta	(42,000)	(42,000)
Paid for merchandising, net	(3,217)	(5,308)
Net cash (used) by noncapital financing activities	(19,926)	(22,097)
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(209,182)	(180,858)
Proceeds from sale of equipment	-	-
Repayment of revenue bonds	(255,000)	(245,000)
Proceeds from bond issuances	-	-
Bond issue costs incurred	-	-
Net borrowings (payments) on line of credit	-	-
Cash payments for interest	(36,576)	(45,330)
Net cash (used) by capital and related financing activities	(500,758)	(471,188)
Cash flows from investing activities:		
Interest received on investments	2,131	1,608
Proceeds from redemption of investments	107,623	183,686
Purchase of investments	(29,269)	(27,576)
Net cash (used) by investing activities	80,485	157,718
Net increase in cash and cash equivalents	198,154	213,893
Cash and cash equivalents, beginning of year	603,912	390,019
Cash and cash equivalents, end of year	<u>\$ 802,066</u>	<u>\$ 603,912</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Income (loss) from operations	\$ 494,396	\$ 422,989
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	153,535	151,811
Change in accounts receivable	1,046	(15,566)
Change in prepaid expenses	(7,667)	4,494
Change in inventory	(12,670)	(5,041)
Change in other assets	-	12,707
Change in accounts payable and accrued expenses	17,050	(25,804)
Change in customer deposits	(1,725)	3,870
Change in net pension liability	(36,255)	-
Change in deferred outflows of resources	(3,934)	-
Change in deferred inflows of resources	34,577	-
Net cash provided by operating activities	<u>\$ 638,353</u>	<u>\$ 549,460</u>

See Notes to Financial Statements

Water Utility Fund		Communications Utility Fund		Total	
2015	2014 Not restated	2015	2014 Not restated	2015	2014 Not restated
\$ 437,284	\$ 464,781	\$ 725,741	\$ 791,935	\$ 2,904,355	\$ 2,924,254
6,391	-	4,714	-	44,173	33,390
(214,488)	(191,969)	(568,662)	(467,937)	(1,760,845)	(1,615,848)
(116,468)	(136,061)	(175,722)	(216,280)	(450,540)	(547,867)
112,719	136,751	(13,929)	107,718	737,143	793,929
-	-	-	-	25,291	25,211
80,000	-	-	-	80,000	-
-	-	(80,000)	-	(80,000)	-
-	-	-	-	(42,000)	(42,000)
-	-	-	-	(3,217)	(5,308)
80,000	-	(80,000)	-	(19,926)	(22,097)
(32,723)	(817,101)	(408,561)	(58,949)	(650,466)	(1,056,908)
-	-	9,000	-	9,000	-
(80,000)	(79,000)	(1,399)	-	(336,399)	(324,000)
12,212	1,857,475	200,000	-	212,212	1,857,475
-	(9,580)	-	-	-	(9,580)
-	(907,526)	-	-	-	(907,526)
(34,983)	(32,650)	(616)	-	(72,175)	(77,980)
(135,494)	11,618	(201,576)	(58,949)	(837,828)	(518,519)
-	-	-	-	2,131	1,608
-	-	-	-	107,623	183,686
-	-	-	-	(29,269)	(27,576)
-	-	-	-	80,485	157,718
57,225	148,369	(295,505)	48,769	(40,126)	411,031
38,970	(109,399)	470,790	422,021	1,113,672	702,641
\$ 96,195	\$ 38,970	\$ 175,285	\$ 470,790	1,073,546	1,113,672
\$ 10,844	\$ 39,213	\$ (41,017)	\$ 8,612	464,223	470,814
121,198	107,805	92,550	85,984	367,283	345,600
(29,592)	(6,709)	(58,189)	11,810	(86,735)	(10,465)
8,782	(607)	90	(669)	1,205	3,218
-	-	-	-	(12,670)	(5,041)
-	-	-	(4,322)	-	8,385
5,710	(2,951)	(737)	6,303	22,023	(22,452)
-	-	-	-	(1,725)	3,870
(27,289)	-	(42,807)	-	(106,351)	-
(2,962)	-	(4,645)	-	(11,541)	-
26,028	-	40,826	-	101,431	-
\$ 112,719	\$ 136,751	\$ (13,929)	\$ 107,718	\$ 737,143	\$ 793,929

**ALTA MUNICIPAL UTILITIES & ALTA MUNICIPAL BROADBAND COMMUNICATIONS UTILITY
COMPONENT UNIT OF THE CITY OF ALTA, IOWA**

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Alta, Iowa, (the City) owns and operates its utilities, including an electric, water and communications system utility. The electric and water utilities are operated independently as Alta Municipal Utilities and the communications utility is operated independently as Alta Municipal Broadband Communications Utility (collectively will be referred to as “the Utility” within this report). The Utility is under the management of an independent Board of Trustees. The five members of the Board of Trustees are appointed by the Mayor subject to the approval of the City Council and serve staggered six year terms.

The Utility provides electric energy, water, local and long-distance telephone services, cable TV and internet services to a diverse base of residential and commercial customers and other governmental units, primarily within the boundaries of the City. As independent municipal utilities, state statutes vest authority in the Trustees to set usage rates, prepare financial budgets and maintain books of account for each utility system they operate. The Utility’s financial statements are prepared in conformity with accounting principles generally accepted in the United States of America applicable for proprietary funds of governmental entities as prescribed by the Governmental Accounting Standards Board.

Reporting Entity

For financial reporting purposes, the Utility has included all funds, organizations, agencies, boards, commissions and authorities. The Utility has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Utility are such that exclusion would cause the Utility’s financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Utility to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Utility. The Utility has no component units which meet the Governmental Accounting Standards Board criteria, however, the Utility is considered a component unit of the City of Alta, Iowa.

In 2015, the Utility, with the approval of the Alta Municipal Utilities Board of Trustees and the Alta Municipal Broadband Communications Utility Board of Trustees, elected to combine the electric, water and communications utilities together in order to recognize certain administrative cost and time savings. Subsequent to this action, the same board of trustees provided oversight to each of these funds. Previously, these funds were reported as two separate utilities in accordance with their organizing documents. Separate board meetings, minutes, and budgeting were required for each. This change did not require changes to fund assets, liabilities, or net position.

Basis of Presentation

The accounts of the Utility are organized on the basis of proprietary enterprise funds, each of which is considered to be a separate accounting entity and each reported in a separate column in the financial statements. The operation of each fund are accounted for with separate set of self-balancing accounts, which comprise its assets, liabilities, net positions, revenues and expenses, and debt service of the designated activity. The Utility reports the following major enterprise funds:

- Electric Utility Fund
- Water Utility Fund

**ALTA MUNICIPAL UTILITIES & ALTA MUNICIPAL BROADBAND COMMUNICATIONS UTILITY
COMPONENT UNIT OF THE CITY OF ALTA, IOWA**

NOTES TO FINANCIAL STATEMENTS

➤ **Communications Utility Fund**

Measurement Focus and Basis of Accounting

The accompanying financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. As such, the fund measurement objective is the determination of operating income, changes in net positions, financial position, and cash flows. Under the accrual method of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

In reporting its financial activity, the Utility applies all applicable GASB pronouncements for proprietary funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues for the Utility result from charges to customers for sales and services. Operating expenses include cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Shared Utility Plants

Common Transmission System- North Iowa Municipal Electric Cooperative Association (NIMECA), acting as agent for its participating members, has entered into an agreement with Corn Belt Power Cooperative to obtain the benefit of its participating members a long-term right and access to electric transmission facilities, referred to as Common Transmission System (CTS) necessary to handle the combined needs of the participating members through undivided ownership interest in the capacity of transmission facilities. The costs associated with this agreement are allocated to the members based on their proportionate use of the shared transmission system. The Utility has recorded its share of the costs as capital assets in the Electric Utility Fund.

Walter Scott 4 Generating System-The Utility is one of fourteen owners of Unit 4 Walter Scott Generating Station which is managed by MidAmerican Energy under terms of the basic generating agreement between MidAmerican Energy and the owners. The Utility owns .14 percent through an undivided ownership interest of the generating station for generating, purchasing, obtaining by exchange, or otherwise acquiring or transmitting electric power and energy. The Utility has recorded its share of the costs as capital assets and inventories in the Electric Utility Fund.

Budgets and Budgetary Accounting

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget following required public notice and a public hearing for each of the utility's funds. The budgetary comparison schedules and related disclosures are reported as Required Supplementary Information. During the year ended December 31, 2015, actual disbursements did not exceed budgeted limitations.

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NOTES TO FINANCIAL STATEMENTS

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

The following accounting policies are followed in preparing the statement of Net Position:

Cash and Cash Equivalents – The various funds of the Utility combine their cash and invested cash funds into several shared bank accounts at one financial institution. The Utility considers savings accounts and all other highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Investments are carried at cost which approximates market value.

Accounts Receivable and Allowance for Doubtful Accounts – The Utility uses the allowance method to account for uncollectible accounts receivable. Management uses its judgment based primarily on the length of time specific accounts have been outstanding in determining the estimated allowance for doubtful accounts and related accounts receivable write-offs. No allowance was determined necessary for the current period.

Inventories – Inventories are stated at the lower of cost or replacement value using the first-in, first-out method. Cost is determined on a weighted average method. The electric utility fund inventory primarily includes fuel for the local plant and its joint ownership share of the coal and oil utilized at the Walter Scott 4 Generation Station.

Capital Assets - Capital assets are carried at cost. Cost of labor, materials, supervision, and other costs incurred making improvements and replacements to the system, except minor replacements, are charged to the plant accounts while such costs incurred in making normal repairs, minor replacements, and maintaining the assets in efficient operating condition are charged to expense. The Utility computes depreciation on buildings and equipment using the straight-line method over the estimated useful lives of the property. Estimated useful lives of the plant and structures range from twenty to fifty years, while the lives of the equipment are estimated to range from three to thirty years.

Preliminary and construction costs of projects not yet in service, if any, are shown in the financial statements as construction in progress. No depreciation is taken on construction in progress.

Provisions for depreciation of generating, transmission, and distribution plant are computed on a straight-line basis employing a group method. The original costs of assets retired (not constituting the sale of an operating unit or system) together with the costs of removal less salvage are charged to the related accumulated depreciation accounts. In accounting for the sale of operating units or systems, gains or losses are reflected in net revenue.

Provisions for depreciation of general plant are computed on a straight-line basis employing the unit depreciation method. The original cost of property retired is removed from the general plant accounts and

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the related accumulated depreciation accounts are charged for the depreciation taken to date. Gain or loss is recognized to the extent that the salvage value of the assets retired exceeds or falls short of the remaining book value of the assets retired.

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measureable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows in the Statement of Net Position consist of the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Statement of Revenues and Expenses

Transactions deemed by management to be ongoing, major or central to the production of Utility sales are reported as operating revenues and expenses. Peripheral or incidental transactions are reported as non-operating revenues and expenses. For most services, meters are read and bills are rendered on a cycle basis near midmonth. Revenues earned are recorded through the date meters are read each month. Additionally, revenues earned from utility usage delivered after meters are read to the end of the month during the last month of the year are estimated and recorded.

Net Position

Net positions are shown in three components:

- Net Investment in Capital Assets- This category of net assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction or improvement of those assets.
- Restricted- This category of net assets results when constraints placed on net asset use are either externally imposed by outside creditors, others or imposed by law through constitutional provisions or enabling legislation.

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- Unrestricted- This category of net assets consist of net positions not meeting the definition of the two proceeding categories. Unrestricted net positions often have constraints on resources imposed by management, which can be removed or modified.

When an expense incurred by the Utility may be paid with restricted or unrestricted assets, it is the Utility's policy to utilize the restricted resources first.

NOTE 2 – POOLED CASH AND INVESTMENTS

The Utility pools their deposits and investments and maintains records as to each fund's share of the total cash balance. The Utility's deposits in financial institutions at December 31, 2015 and 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The Utility is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; warrants or improvement certificates of a drainage district.

Interest rate risk – The Utility's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Utility.

Custodial credit risk – For cash deposits held by financial institutions and cash held by jointly-owned entities for the benefit of the Utility, there is a risk that in the event of failure of the bank of jointly-owned entity, cash deposits may not be returned. All cash deposits held by banks are entirely covered by the FDIC. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds. However, those portions of cash deposits held by jointly-owned entities are not held in the name of the Utility and may be subject to additional risk in the event one of these entities fails.

As of December 31, 2015 and 2014, the Utility had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2015 and 2014 were as follows:

December 31, 2015:

Electric Fund				
Proprietary Activities	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land	\$ 70,913	65,000	-	\$ 135,913

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NOTES TO FINANCIAL STATEMENTS

	70,913	65,000	-	135,913
Capital assets being depreciated:				
Walter Scott 4 production	2,002,698	2,734	-	2,005,432
Transmission system	926,908	131,731	3,917	1,054,722
Distribution	1,850,373	-	979	1,849,394
Buildings and improvements	213,675	-	-	213,675
Equipment	926,973	15,852	179,511	763,314
Total capital assets being depreciated	5,920,627	150,317	184,407	5,886,537
Less accumulated depreciation for:				
Walter Scott 4 production	348,605	50,102	-	398,707
Transmission system	419,817	23,851	3,917	439,751
Distribution	626,828	53,987	979	679,836
Buildings and improvements	168,691	5,532	-	174,223
Other equipment	774,776	20,063	179,295	615,544
Total accumulated depreciation	2,338,717	153,535	184,191	2,308,061
Total capital assets being depreciated, net	3,581,910			3,578,476
Net capital assets	<u>\$ 3,652,823</u>			<u>\$ 3,714,389</u>

Water Utility Fund

Proprietary Activities	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets being depreciated:				
Distribution	\$ 973,450	27,218	56,347	\$ 944,321
Buildings and improvements	2,638,708	-	-	2,638,708
Equipment	77,977	6,542	2,145	82,374
Total capital assets being depreciated	3,690,135	33,760	58,492	3,665,403
Less accumulated depreciation for:				
Distribution	590,276	31,155	19,837	601,594
Buildings and improvements	501,553	87,535	-	589,088
Other equipment	72,953	2,508	2,145	73,316
Total accumulated depreciation	1,164,782	121,198	21,982	1,263,998
Total capital assets being depreciated, net	2,525,353			2,401,405
Net capital assets	<u>\$ 2,525,353</u>			<u>\$ 2,401,405</u>

Communications Utility Fund

Proprietary Activities	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Construction in progress	\$ -	286,097	-	\$ 286,097
	-	286,097	-	286,097
Capital assets being depreciated:				
Distribution plant-telephone	730,935	5,612	73,199	663,348

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NOTES TO FINANCIAL STATEMENTS

Other equipment-telephone	74,249	39,186	1,425	112,010
Distribution plant- CATV and internet	2,424,161	-	101,239	2,322,922
Other equipment-CATV and internet	341,111	73,137	55,632	358,616
Total capital assets being depreciated	<u>3,570,456</u>	<u>117,935</u>	<u>231,495</u>	<u>3,456,896</u>
Less accumulated depreciation for:				
Distribution plant-telephone	606,465	14,795	73,199	548,061
Other equipment-telephone	55,153	3,946	922	58,177
Distribution plant- CATV and internet	2,081,237	43,231	101,239	2,023,229
Other equipment-CATV and internet	236,272	30,579	55,227	211,624
Total accumulated depreciation	<u>2,979,127</u>	<u>92,551</u>	<u>230,587</u>	<u>2,841,091</u>
Total capital assets being depreciated, net	<u>591,329</u>			<u>615,805</u>
Net capital assets	<u>\$ 591,329</u>			<u>\$ 901,902</u>

December 31, 2014:

Electric Fund

Proprietary Activities	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land	\$ 70,913	-	-	\$ 70,913
	70,913	-	-	70,913
Capital assets being depreciated:				
Walter Scott 4 production	1,971,297	31,401	-	2,002,698
Transmission system	882,051	-	11,643	870,408
Distribution	1,767,710	82,663	-	1,850,373
Buildings and improvements	213,675	-	-	213,675
Equipment	911,939	15,166	132	926,973
Total capital assets being depreciated	<u>5,746,672</u>	<u>129,230</u>	<u>11,775</u>	<u>5,864,127</u>
Less accumulated depreciation for:				
Walter Scott 4 production	298,930	49,675	-	348,605
Transmission system	409,554	21,906	11,643	419,817
Distribution	573,296	53,532	-	626,828
Buildings and improvements	163,052	5,639	-	168,691
Equipment	753,849	21,059	132	774,776
Total accumulated depreciation	<u>2,198,681</u>	<u>151,811</u>	<u>11,775</u>	<u>2,338,717</u>
Total capital assets being depreciated, net	<u>3,562,633</u>			<u>3,525,410</u>
Net capital assets	<u>\$ 3,633,546</u>			<u>\$ 3,596,323</u>

Water Utility Fund

Proprietary Activities	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Construction in progress	\$ 1,933,281	-	1,933,281	\$ -

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NOTES TO FINANCIAL STATEMENTS

	1,933,281	-	1,933,281	-
Capital assets being depreciated:				
Distribution	959,793	13,789	132	973,450
Buildings and improvements	646,895	1,991,813	-	2,638,708
Equipment	77,977	-	-	77,977
Total capital assets being depreciated	1,684,665	2,005,602	132	3,690,135
Less accumulated depreciation for:				
Distribution	559,025	31,383	132	590,276
Buildings and improvements	436,157	65,396	-	501,553
Equipment	70,627	2,326	-	72,953
Total accumulated depreciation	1,065,809	99,105	132	1,164,782
Total capital assets being depreciated, net	618,856			2,525,353
Net capital assets	\$ 2,552,137			\$ 2,525,353

Communications Utility Fund

Proprietary Activities	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets being depreciated:				
Distribution plant-telephone	\$ 730,935	-	-	\$ 730,935
Other equipment-telephone	60,303	14,078	132	74,249
Distribution plant- CATV and internet	2,424,161	-	-	2,424,161
Other equipment-CATV and internet	296,373	44,870	132	341,111
Total capital assets being depreciated	3,511,772	58,948	264	3,570,456
Less accumulated depreciation for:				
Distribution plant-telephone	592,180	14,285	-	606,465
Other equipment-telephone	53,795	1,490	132	55,153
Distribution plant- CATV and internet	2,038,522	42,715	-	2,081,237
Other equipment-CATV and internet	208,912	27,492	132	236,272
Total accumulated depreciation	2,893,409	85,982	264	2,979,127
Total capital assets being depreciated, net	618,363			591,329
Net capital assets	\$ 618,363			\$ 591,329

NOTE 4 – COMPENSATED ABSENCES

Utility employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement, or death. The Utility's approximate liability for earned but unused vacation was \$5,555 and \$5,528 as of December 31, 2015 and 2014 respectively. This amount has been accrued and is reflected on the attached financial statements. Sick leave is not paid on termination, retirement or death; therefore, no accrual has been made for accumulated sick leave hours.

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NOTE 5 - PENSION AND RETIREMENT BENEFITS

Plan Description – IPERS membership is mandatory for employees of the Utility, except for those covered by another retirement system. Employees of the Utility are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial

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contribution rate be determined using the “entry age normal” actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, regular members contributed 5.95 percent of pay and the Utility contributed 8.93 percent for a total rate of 14.88 percent.

The Utility’s contributions to IPERS for the year ended December 31, 2015 were \$35,755.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions – At December 31, 2015, the Utility reported a liability of \$262,229 for its proportionate share of the net pension liability. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The Utility’s proportion of the collective net pension liability was based on the Utility’s share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the Utility’s proportion was 0.0066121% percent, which was a decrease of 0.0001927 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the Utility recognized pension expense of \$19,293. At December 31, 2015, the Utility reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	2,850	-
Changes of assumptions	11,573	-
Net difference between projected and actual earnings on pension plan investments	-	100,006
Changes in proportion and differences between Utility contributions and proportionate share of contributions	-	1,425
Utility contributions subsequent to the measurement date	55,578	-
	<u>70,001</u>	<u>101,431</u>

\$55,578 reported as deferred outflows of resources related to pensions resulting from the Utility contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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Year Ended December 31,	Total
2016	(21,988)
2017	(21,988)
2018	(21,988)
2019	(21,988)
2020	944
	(87,008)

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investments expense, including inflation.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)

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Total	<u>100%</u>
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Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Utility will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Utility’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Utility’s proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Utility’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Utility’s proportionate share of the net pension liability (asset)	\$495,473	\$262,229	\$65,346

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS’ website at www.ipers.org.

Payable to the Pension Plan – At December 31, 2015, the Utility reported payables to the defined benefit pension plan of \$525 for legally required employer contributions and \$350 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

NOTE 6 – RISK MANAGEMENT

The Utility is exposed to various risks of loss related to torts, errors and omissions, injuries to employees, natural disasters, and theft of, damage to and destruction of assets. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Utility assumes liability for any deductibles and claims in excess of coverage limitations.

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

GASB Statement No. 45 requires that all OPEB liabilities (other than pensions) whether explicit or implicit be measured and disclosed in financial statements prepared in accordance with accounting principles generally accepted in the United States of America. Management of the Utility has not had the OPEB calculated and no liability is disclosed.

**ALTA MUNICIPAL UTILITIES & ALTA MUNICIPAL BROADBAND COMMUNICATIONS UTILITY
COMPONENT UNIT OF THE CITY OF ALTA, IOWA**

NOTES TO FINANCIAL STATEMENTS

As required by state law, the Utility offers health insurance to former employees who have retired after age 55, but have not yet reached Medicare eligibility. This arrangement generally creates an implicit OPEB liability. The fully insured plan is part of the plan offered to all Utility employees, whereby the retirees must pay the full cost of a health insurance premium equal to that charged by current employees. There are currently no retired members covered by the plan.

NOTE 8 – REVENUE BONDS AND NOTES PAYABLE

Series 2011 Electric Revenue Refunding Capital Loan Notes were issued in February 2011 by the electric utility in the original amount of \$1,215,000. The notes provided funds to advance refund the 2003 Electric Revenue Bonds which were originally issued to finance the purchase of 1.05 Megawatts of the 790 Megawatt MidAmerican electric generating plant built near Council Bluffs, Iowa, referred to as the Walter Scott 4 Generation Plant. The notes mature serially from December 1, 2011 through December 1, 2021, with interest at various rates from 0.75 to 3.40 percent per annum payable semiannually at June 1 and December 1.

Series 2013 Electric Revenue Refunding Capital Loan Notes were issued in September 2013 by the electric utility in the original amount of \$875,000. The notes provided funds to advance refund the 2005 Electric Revenue Capital Refunding Bonds. The notes mature serially from December 1, 2014 through December 1, 2019, with interest at 2.00 percent per annum payable semiannually at June 1 and December 1.

Series 2013 Water Revenue Capital Loan Notes were issued December 2013 by the water utility with principal advances up to a maximum loan amount of \$1,916,000 with additional advances available during 2016. The notes provided funds for the new water plant constructed during 2013 and early 2014. The notes mature serially from June 1, 2014 through June 1, 2033, with interest at 1.75 percent per annum and a service fee of 0.25 percent per annum payable semiannually at June 1 and December 1.

Series 2015 Communications Utility Revenue Capital Loan Notes were issued July 2015 by the communications utility with principal advances of \$200,000. The maximum loan amount allowed is \$365,000 with additional advances available during 2016. The notes provided funds for the improvements and extensions needed to the communications utility. The notes require monthly payments of \$2,015 and mature November 2025. The notes require an initial interest rate of 3.75% per annum and will be adjusted on December 1, 2020 per annum to a rate equal to the WSJ Prime Rate (not to exceed 5%).

Changes in debt outstanding for the year are as follows:

	Beginning Balance	Issued	Paid	Ending Balance
2011 Electric Utility Revenue Bonds	\$ 785,000	-	110,000	675,000
2013 Electric Utility Revenue Bonds	735,000	-	140,000	595,000
2013 Water Utility Revenue Bonds	1,778,475	12,212	80,000	1,710,687
2015 Communications Utility Revenue Bonds	-	200,000	1,399	198,601
	<u>\$ 3,298,475</u>	<u>212,212</u>	<u>331,399</u>	<u>3,179,288</u>

Annual debt service requirements to maturity for revenue bonds are as follows:

**ALTA MUNICIPAL UTILITIES & ALTA MUNICIPAL BROADBAND COMMUNICATIONS UTILITY
COMPONENT UNIT OF THE CITY OF ALTA, IOWA**

NOTES TO FINANCIAL STATEMENTS

Years Ending December 31,	Electric 2013 Series		Electric 2011 Series		Total Electric	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	145,000	11,900	110,000	19,728	255,000	31,628
2017	150,000	9,000	105,000	17,198	255,000	26,198
2018	155,000	6,000	110,000	14,520	265,000	20,520
2019	145,000	2,900	115,000	11,440	260,000	14,340
2020	-	-	115,000	7,875	115,000	7,875
2021	-	-	120,000	4,080	120,000	4,080
	<u>595,000</u>	<u>29,800</u>	<u>675,000</u>	<u>74,841</u>	<u>1,270,000</u>	<u>104,641</u>

Years Ending December 31,	Water 2013 Series		Communications 2015 Series		Grand Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	79,687	29,240	17,026	7,157	351,713	68,025
2017	82,000	27,825	17,676	6,508	354,676	60,531
2018	83,000	26,381	18,350	5,833	366,350	52,734
2019	85,000	24,911	19,050	5,133	364,050	44,384
2020	86,000	23,415	19,777	4,406	220,777	35,696
2021-2025	460,000	93,539	106,722	10,128	686,722	107,747
2026-2030	505,000	51,320	-	-	505,000	51,320
2031-2033	330,000	8,730	-	-	330,000	8,730
	<u>1,710,687</u>	<u>285,361</u>	<u>198,601</u>	<u>39,165</u>	<u>3,179,288</u>	<u>429,167</u>

The resolutions providing for the issuance of revenue bonds include the following provisions:

- A. The bonds will only be redeemed from the future earnings of the enterprise activity and the bondholders hold a lien on the future earnings of the funds.
- B. Sufficient monthly transfers shall be made to the bond revenue sinking account for the purpose of making the bond principal and interest payments when due.
- C. The Utility is to establish a separate Bond Reserve Account into which monthly deposits of 25% of sinking fund deposits shall be made until a maximum annual amount of principal and interest coming due on the notes and parity obligations has been reached.

**ALTA MUNICIPAL UTILITIES & ALTA MUNICIPAL BROADBAND COMMUNICATIONS UTILITY
COMPONENT UNIT OF THE CITY OF ALTA, IOWA**

NOTES TO FINANCIAL STATEMENTS

- D. Additional monthly transfers to the Bond Improvement Fund shall be made until the sum of \$100,000 has been accumulated for the bond issues. This account is restricted for the purpose of paying necessary repairs, improvements, and extension to the system.

NOTE 9 – RESTRICTED CASH BALANCES

Net Position has been restricted in amount necessary to fund the following specific reserves in the Electric and Water Utility Fund:

	<u>2015</u>	<u>2014</u>
Restricted:		
Electric Utility bond retirement sinking fund	\$ 26,521	\$ 23,882
Electric Utility bond improvement fund	100,000	100,000
Electric Utility customer deposits	42,375	44,100
Electric Utility bond reserve fund	<u>127,000</u>	<u>209,000</u>
	295,896	376,982
Water Utility bond retirement sinking fund	<u>51,357</u>	<u>-</u>
	<u>\$ 347,253</u>	<u>\$ 376,982</u>

NOTE 10 – DUE FROM THE CITY OF ALTA

In prior years, the Utility made payments from the electric utility on behalf of the City totaling \$273,716 for the construction of a new fire station. Of this amount \$125,858 is to be repaid by the City in annual payments of \$25,372 including interest. Interest will be applied to the outstanding obligation at a rate of 0.318% per annum. As of December 31, 2015 and 2014 the remaining amounts to be repaid on the loan totaled \$0 and \$25,372, respectively.

NOTE 11 –ECONOMIC DEVELOPMENT

In 2008 the Utility agreed to pay for the water infrastructure on lots purchased by the City of Alta for purpose of developing nineteen residential lots to be held for sale. The Utility's total investment was \$52,337 and is to be repaid \$2,754.59 each time one of the lots is sold by the City. At December 31, 2015 the Utility had \$24,791 left to be repaid from this project.

NOTE 12 – PAYMENT TO THE CITY

The Utility made a voluntary cash donation to the City in the amount of \$42,000 for the years ended December 31, 2015 and 2014.

NOTE 13 – TRANSFER

During the year the Communications Utility Fund transferred \$80,000 to the Water Utility Fund to help the utility comply with restricted deposits.

NOTE 14 - RECLASSIFICATION

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

**ALTA MUNICIPAL UTILITIES & ALTA MUNICIPAL BROADBAND COMMUNICATIONS UTILITY
COMPONENT UNIT OF THE CITY OF ALTA, IOWA**

NOTES TO FINANCIAL STATEMENTS

NOTE 15 – SUBSEQUENT EVENTS

The Utility's management has evaluated events and transactions for potential recognition or disclosure through June 10, 2016 the date the financial statements were available to be issued.

NOTE 16 – ACCOUNTING CHANGE/RESTATEMENT

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27* was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Beginning net position for the business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date.

In addition to the change referred to in the preceding paragraph, beginning net position for the Electric Fund has been corrected to properly report the balance of Transmission – Capital Assets.

	Electric	Water	Communication	Total
Net position December 31, 2014 as previously reported	3,161,769	841,420	1,040,539	5,043,728
Net pension liability at December 31, 2014	(125,649)	(94,577)	(148,354)	(368,580)
Change in outflows of resources related to contributions made after the June 30, 2013 measurement date	19,929	15,001	23,530	58,460
Correction of transmission capital assets	56,500	-	-	56,500
Net position January 1, 2015, as restated	<u>3,112,549</u>	<u>761,844</u>	<u>915,715</u>	<u>4,790,108</u>

REQUIRED SUPPLEMENTARY INFORMATION

ALTA MUNICIPAL UTILITIES & ALTA MUNICIPAL BROADBAND COMMUNICATIONS UTILITY
A COMPONENT UNIT OF THE CITY OF ALTA, IOWA

**BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL**

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2015

	Actual	Original Budget	Final Budget	Final to Actual Variance
Revenues & Other Financing Sources:				
Use of money and property	\$ 2,131	\$ 5,170	\$ 5,170	\$ (3,039)
Charges for services	2,992,814	2,869,875	2,869,875	122,939
Miscellaneous	58,693	33,950	33,950	24,743
Other financing sources	292,212	-	808,480	(516,268)
Total Revenues & Other Financing Sources	<u>3,345,850</u>	<u>2,908,995</u>	<u>3,717,475</u>	<u>(371,625)</u>
Expenditures & Transfers Out				
Expenditures	2,987,989	3,024,067	3,752,547	764,558
Transfers Out	122,000	42,000	122,000	-
Total Expenditures & Transfers Out	<u>3,109,989</u>	<u>3,066,067</u>	<u>3,874,547</u>	<u>764,558</u>
Excess				
of Receipts Over Disbursements	235,861	(157,072)	(157,072)	
Reconcile Actual on Budget Basis to Financial Statements				
Add back (deduct):				
Debt proceeds	(212,212)			
Debt principal payments	331,399			
Total	<u>119,187</u>			
Net Position at Beginning of Period	4,790,108			
Net Position at End of Period	<u>\$ 5,145,156</u>			

**ALTA MUNICIPAL UTILITIES & ALTA MUNICIPAL BROADBAND COMMUNICATIONS UTILITY
A COMPONENT UNIT OF THE CITY OF ALTA**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

YEAR ENDED DECEMBER 31, 2015

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget on the accrual basis following required public notice and hearing for each of its funds. The annual budgets may be amended during the year utilizing similar statutorily prescribed procedures.

The actual amounts shown on the accompanying budget comparison schedule are shown on the same basis on which the budget was prepared. The schedule includes a reconciliation between the actual amounts reported on a cash basis and those that are reported differently in the financial statement to comply with an accrual method accounting as described in the footnotes.

The actual amounts shown on the accompanying budget comparison schedule are shown on the same basis on which the budget was prepared. The schedule includes a reconciliation between reported amounts and acquisition or disposal of capital assets reported differently for financial statement and budget purposes.

Disbursements for the Utility did not exceed the budgeted limit for the year ended December 31, 2015.

See Accompanying Independent Auditor's Report

**ALTA MUNICIPAL UTILITIES & ALTA MUNICIPAL BROADBAND COMMUNICATIONS UTILITY
A COMPONENT UNIT OF THE CITY OF ALTA**

Schedule of the Utility's Proportionate Share of the Net Pension Liability

**Iowa Public Employees' Retirement System
Last Fiscal Year***

Required Supplementary Information

	<u>2015</u>
City's proportion of the net pension liability	0.006612%
City's proportionate share of the net pension liability	262,229
City's covered-employee payroll	443,953
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	59.07%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for the fiscal year were determined as of June 30

See accompanying independent auditors report.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Utility will present information for those years for which information is available.

**ALTA MUNICIPAL UTILITIES & ALTA MUNICIPAL BROADBAND COMMUNICATIONS UTILITY
A COMPONENT UNIT OF THE CITY OF ALTA**

Schedule of Utility Contributions

**Iowa Public Employees' Retirement System
Last Two Fiscal Years***

Required Supplementary Information

	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 35,755	\$ 39,645
Contributions in relation to the statutorily required contribution	<u>35,755</u>	<u>39,645</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	400,388	443,953
Contributions as a percentage of covered-employee payroll	8.93%	8.93%

See accompanying independent auditor's report.

***Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Utility will present information for those years in which information is readily available.

**ALTA MUNICIPAL UTILITIES & ALTA MUNICIPAL BROADBAND COMMUNICATIONS UTILITY
A COMPONENT UNIT OF THE CITY OF ALTA**

Notes to Required Supplementary Information- Pension Liability

Year ended December 31, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

ALTA MUNICIPAL UTILITIES & ALTA MUNICIPAL BROADBAND COMMUNICATIONS UTILITY
A COMPONENT UNIT OF THE CITY OF ALTA

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

Supplementary Information

ALTA MUNICIPAL UTILITIES & ALTA MUNICIPAL BROADBAND COMMUNICATIONS UTILITY
A COMPONENT UNIT OF THE CITY OF ALTA

Schedule 1

SCHEDULES OF OPERATING REVENUES - ELECTRIC AND WATER UTILITIES
FOR THE YEAR ENDED DECEMBER 31, 2015 and 2014

	Electric Utility Fund		Water Utility Fund		Total	
	2014		2014		2014	
	2015	not restated	2015	not restated	2015	not restated
Sales to customers	\$ 1,721,411	\$ 1,658,975	\$ 465,454	\$ 463,558	\$ 2,186,865	\$ 2,122,533
Late payments and service fees	20,598	22,829	1,422	1,561	22,020	24,390
Tax revenue levied	-	-	6,391	6,370	6,391	6,370
Joint use revenue	1,300	1,300	-	-	1,300	1,300
Other revenue	31,768	20,684	-	-	31,768	20,684
Total Operating Revenues	<u>\$ 1,775,077</u>	<u>\$ 1,703,788</u>	<u>\$ 473,267</u>	<u>\$ 471,489</u>	<u>\$ 2,248,344</u>	<u>\$ 2,175,277</u>

See Accompanying Independent Auditor's Report

ALTA MUNICIPAL UTILITIES & ALTA MUNICIPAL BROADBAND COMMUNICATIONS UTILITY
A COMPONENT UNIT OF THE CITY OF ALTA

Schedule 2

SCHEDULES OF OPERATING REVENUES - COMMUNICATIONS UTILITY
FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

	Cable TV & Internet Fund		Telephone Fund		Total	
	2015	2014 not restated	2015	2014 not restated	2015	2014 not restated
Sale of cable services:						
Basic cable	\$ 275,081	\$ 266,036	\$ -	\$ -	\$ 275,081	\$ 266,036
Premium channels	7,401	7,425	-	-	7,401	7,425
Digital services	43,675	38,487	-	-	43,675	38,487
Sale of telephone services:						
Local	-	-	135,251	139,099	135,251	139,099
Long distance	-	-	13,262	14,339	13,262	14,339
Access fees	-	-	59,206	78,831	59,206	78,831
Directory advertising	1,662	2,118	2,025	-	3,687	2,118
Internet	237,720	225,543	-	-	237,720	225,543
Fiber lease income	4,200	4,200	4,200	4,200	8,400	8,400
Other access fees	-	-	246	357	246	357
Miscellaneous	2,399	1,468	2,315	2,343	4,714	3,811
Total operating revenue	\$ 572,138	\$ 545,277	\$ 216,505	\$ 239,169	\$ 788,643	\$ 784,446

See Accompanying Independent Auditor's Report

ALTA MUNICIPAL UTILITIES & ALTA MUNICIPAL BROADBAND COMMUNICATIONS UTILITY
A COMPONENT UNIT OF THE CITY OF ALTA

Schedule 3

SCHEDULES OF OPERATING EXPENSES - ELECTRIC AND WATER UTILITIES
FOR THE YEAR ENDED DECEMBER 31, 2015 and 2014

	Electric Utility Fund		Water Utility Fund		Total	
	2015	2014 not restated	2015	2014 not restated	2015	2014 not restated
Purchased power	\$ 562,638	\$ 554,567	\$ -	\$ -	\$ 562,638	\$ 554,567
Local Plant Operations:						
Wages and benefits	\$ 17,575	\$ 27,560	\$ 34,887	\$ 37,154	\$ 52,462	\$ 64,714
Operating supplies and chemicals	25,864	17,850	42,268	36,592	68,132	54,442
Utilities	6,323	7,380	47,224	43,909	53,547	51,289
Fuel and oil	2,482	8,953	872	971	3,354	9,924
Other expenses	4,049	11,328	11,835	12,945	15,884	24,273
Depreciation	77,838	75,573	31,155	31,388	108,993	106,961
Total local plant operations	\$ 134,131	\$ 148,644	\$ 168,241	\$ 162,959	\$ 302,372	\$ 311,603
Generating Expense - Walter Scott 4:						
Fuel	\$ 118,073	\$ 112,898	\$ -	\$ -	\$ 118,073	\$ 112,898
Generation operation/maintenance	63,258	84,513	-	-	63,258	84,513
Transmission operation/maintenance	247	449	-	-	247	449
Other	75,036	17,958	-	-	75,036	17,958
Depreciation	50,102	49,675	-	-	50,102	49,675
Total generating expense	\$ 306,716	\$ 265,493	-	-	\$ 306,716	\$ 265,493
Distribution Maintenance Expenses:						
Wages and benefits	\$ 39,788	\$ 70,602	\$ 29,630	\$ 41,968	\$ 69,418	\$ 112,570
Testing and supplies	4,809	18,163	25,623	24,304	30,432	42,467
Other expenses	14,508	3,528	22,224	2,618	36,732	6,146
Total distribution maintenance expenses	\$ 59,105	\$ 92,293	\$ 77,477	\$ 68,890	\$ 136,582	\$ 161,183

ALTA MUNICIPAL UTILITIES & ALTA MUNICIPAL BROADBAND COMMUNICATIONS UTILITY
A COMPONENT UNIT OF THE CITY OF ALTA

Schedule 3-Continued

SCHEDULES OF OPERATING EXPENSES - ELECTRIC AND WATER UTILITIES, Continued
FOR THE YEAR ENDED DECEMBER 31, 2015 and 2014

	Electric Utility Fund		Water Utility Fund		Total	
	2015	2014 not restated	2015	2014 not restated	2015	2014 not restated
Administrative and General Expenses:						
Wages and benefits	\$ 100,987	\$ 97,364	\$ 51,951	\$ 56,939	\$ 152,938	\$ 154,303
Office supplies and postage	5,016	4,482	4,973	4,544	9,989	9,026
Insurance - employees	31,553	43,879	22,680	29,497	54,233	73,376
Insurance - general	11,305	11,979	11,269	12,246	22,574	24,225
Professional fees	20,445	8,776	27,448	20,305	47,893	29,081
Dues and subscriptions	3,151	3,861	603	579	3,754	4,440
Advertising	2,717	1,010	1,514	1,387	4,231	2,397
Meetings and travel	2,779	1,676	135	507	2,914	2,183
Technical support	1,456	1,413	1,456	1,413	2,912	2,826
Telephone	1,575	1,802	1,363	1,246	2,938	3,048
Bad debts	320	1,056	1,870	1,669	2,190	2,725
Depreciation	25,595	26,563	90,043	67,717	115,638	94,280
Other expenses	5,225	5,689	1,350	2,259	6,575	7,948
Total administrative and general expenses	\$ 212,124	\$ 209,550	\$ 216,655	\$ 200,308	\$ 428,779	\$ 409,858
Economic Development Energy Conservation						
Economic development	\$ 50	\$ 1,801	\$ 50	\$ 119	\$ 100	\$ 1,920
Energy conservation and efficiency	5,917	8,451	-	-	5,917	8,451
Total economic development energy conservation	\$ 5,967	\$ 10,252	\$ 50	\$ 119	\$ 6,017	\$ 10,371

See Accompanying Independent Auditor's Report

ALTA MUNICIPAL UTILITIES & ALTA MUNICIPAL BROADBAND COMMUNICATIONS UTILITY
A COMPONENT UNIT OF THE CITY OF ALTA

Schedule 4

SCHEDULES OF OPERATING EXPENSES - COMMUNICATIONS UTILITY
FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

	Cable TV & Internet Fund		Telephone Fund		Total	
	2015	2014 not restated	2015	2014 not restated	2015	2014 not restated
Cost of service:						
Wages and benefits	\$ 73,889	\$ 84,514	\$ 8,233	\$ 16,631	\$ 82,122	\$ 101,145
Other expenses	9,396	9,080	1,180	2,491	10,576	11,571
Circuit fees	-	-	19,993	19,993	19,993	19,993
Basic CATV programming	253,161	198,030	-	-	253,161	198,030
Premium channel programing	6,471	7,166	-	-	6,471	7,166
Digital programming	26,387	24,586	-	-	26,387	24,586
Internet fees	21,374	25,283	-	-	21,374	25,283
Switching fees	-	-	15,243	15,999	15,243	15,999
Long distance fees	-	-	4,941	4,287	4,941	4,287
Access fees	-	-	5,873	5,975	5,873	5,975
Billing fees	-	-	15,951	15,983	15,951	15,983
Total cost of service	\$ 390,678	\$ 348,659	\$ 71,414	\$ 81,359	\$ 462,092	\$ 430,018
Maintenance and distribution expenses:						
Wages and benefits	\$ 1,246	\$ 729	\$ 3,019	\$ 7,627	\$ 4,265	\$ 8,356
Supplies	9,382	8,681	6,083	4,962	15,465	13,643
Utilities	10,520	9,600	10,520	9,600	21,040	19,200
Depreciation	42,717	42,715	14,796	14,280	57,513	56,995
Operating expenses	-	-	4,545	5,233	4,545	5,233
Total maintenance and distribution expenses	\$ 63,865	\$ 61,725	\$ 38,963	\$ 41,702	\$ 102,828	\$ 103,427
Administrative and general expense:						
Wages and benefits	\$ 47,584	\$ 53,643	\$ 46,303	\$ 53,136	\$ 93,887	\$ 106,779
Office supplies and postage	3,283	2,869	3,280	2,869	6,563	5,738
Insurance - employees	30,354	29,075	9,586	9,540	39,940	38,615
Insurance - general	11,235	12,494	11,229	12,544	22,464	25,038
Professional fees	21,462	7,989	15,332	18,028	36,794	26,017
Telephone	1,060	1,211	2,828	2,682	3,888	3,893
Technical support	9,100	-	-	-	9,100	-
Advertising	1,079	666	4,879	666	5,958	1,332
Dues and subscriptions	606	589	1,462	1,324	2,068	1,913
Meetings and travel	293	279	194	156	487	435
Bad debts (recoveries)	206	4,203	(18)	(3,967)	188	236
Other expense	4,358	1,751	4,007	1,653	8,365	3,404
Depreciation	31,093	27,493	3,945	1,496	35,038	28,989
Total administrative and general expense	\$ 161,713	\$ 142,262	\$ 103,027	\$ 100,127	\$ 264,740	\$ 242,389



T.P. ANDERSON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Trustees of
Alta Municipal Utilities and Alta Municipal Broadband Communications Utility's
Alta, Iowa

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the major fund of Alta Municipal Utilities and Alta Municipal Broadband Communications Utility (the Utility), a component unit of the City of Alta, Iowa as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Utility's basic financial statements, and have issued our report thereon dated June 10, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Utilities' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Utility's internal control. Accordingly, we do not express an opinion on the effectiveness of the Utility's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with

governance. We consider the deficiencies (II-A-15, II-B-15, II-C-15, II-D-15 and II-E-15) described in the accompanying schedule of findings to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Utility's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance which are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Utility's operations for the year ended December 31, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Utility. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Auditee's Response to Findings

The Utility's response to the findings identified in our audit is described in the accompanying schedule of findings. The Utility's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

TP Anderson & Company, PC

June 10, 2016

**ALTA MUNICIPAL UTILITIES AND ALTA MUNICIPAL BROADBAND COMMUNICATIONS
UTILITY**

A COMPONENT UNIT OF THE CITY OF ALTA, IOWA

**SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2015**

Part I: Summary of the Independent Auditor's Results:

- (a) Qualified opinions were issued on the financial statements for each major fund.
- (b) The audit did not disclose any noncompliance which could have a material effect on the basic financial statements.
- (c) No material weaknesses in internal control were identified. Significant deficiencies were noted and included in the schedule of findings.

Part II: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-15 Condition – There is a lack of segregation of duties with respect to accounts receivable, customer receipts, bank reconciliations, and general ledger maintenance.

Criteria – A sound system of internal controls requires that incompatible duties be assigned to more than one employee.

Cause – This issue is due to the limited number of staff at the Utility.

Effect – A significant deficiency in the Utility's control system.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the Utility should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Client Response – We will continue to cross-train office employees in an attempt to improve internal control. Specifically, the cash receipts listing, depositing and posting duties will be separated and spread among several employees and the Board of Trustees will also start reviewing and tracing all deposits to cash receipts journal postings.

Conclusion – Response accepted.

II-B-15 Condition – Material adjustments to accounts receivable, accounts payable and accrued expenses, long-term debt, and capital assets were required in order to present the financial statements fairly in accordance with accounting principles generally accepted in the United States of America.

**ALTA MUNICIPAL UTILITIES AND ALTA MUNICIPAL BROADBAND COMMUNICATIONS
UTILITY
A COMPONENT UNIT OF THE CITY OF ALTA, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2015**

Criteria – An internal control system that is functioning properly should either prevent or detect and correct material misstatements in a timely manner.

Cause – Regular month-end practices do not include posting expenses and other entries to the proper period.

Effect – The financial reports generated by the accounting system were not accurate.

Recommendation – When a material transaction is entered into and a clear understanding of the proper accounting for the transaction is not evident, you should consider consulting with an expert or by reviewing previous audit adjusting entries.

Client Response – We will consider the recommendation and take steps to address this issue.

Conclusion – Response accepted.

- II-C-15 Condition – The Utilities’ management and staff do not possess the expertise to select and apply accounting principles and to prepare full-disclosure financial statements in accordance with accounting principles generally accepted in the United States of America.

Criteria – A proper system of internal controls assumes that management is able to select and apply appropriate accounting principles in order to present financial statements in accordance with accounting principles generally accepted in the United States of America.

Cause – The Utilities have a strong staff capable of performing duties such as billing, bookkeeping, and customer service and managing a smooth operating enterprise, however the benefit of having an employee on staff with the needed accounting expertise has been outweighed by the added cost.

Effect – Management is not able to, without assistance, prepare financial statements in accordance with the standards.

Recommendation – Management should consider obtaining professional education training specific to the accounting principles used by the Utilities.

Client Response – We will take steps to train the staff and management in order to become more proficient.

Conclusion – Response accepted.

- II-D-15 Condition – The Utility’s management does not have a formal process in place for determining compliance with the electric and water utility revenue bond resolution provisions.

Criteria – An internal control system that is functioning properly should detect any non-compliance in a timely manner.

**ALTA MUNICIPAL UTILITIES AND ALTA MUNICIPAL BROADBAND COMMUNICATIONS
UTILITY
A COMPONENT UNIT OF THE CITY OF ALTA, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2015**

Cause – Regular month-end practices do not include calculating the different provisions outlined in the bond agreement resolution.

Effect – A significant deficiency in the Utility’s control system

Recommendation – Procedures should be developed to ensure that all provisions are calculated and monitored on a monthly basis.

Client Response – We will consider the recommendation and take steps to address this issue.

Conclusion – Response accepted.

II-E-15 Condition – The Utility has a credit card for use by its employees but has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges.

Criteria – An internal control system that is functioning properly should detect any non-compliance in a timely manner.

Cause – Regular month-end practices do not include proper procedures that follow a written policy for credit card charges for Utility.

Effect – A material weakness in the Utility’s control system

Recommendation – The Utility should adopt a formal written policy regulating the use of credit cards. The policy, at a minimum, should address who controls the credit cards, who is authorized to use the credit cards and for what purposes, as well as the types of supporting documentation required to substantiate charges.

Client Response – We will consider the recommendation and take steps to address this issue.

Conclusion – Response accepted.

**ALTA MUNICIPAL UTILITIES AND ALTA MUNICIPAL BROADBAND COMMUNICATIONS
UTILITY
A COMPONENT UNIT OF THE CITY OF ALTA, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2015**

Part III: Other Findings Related to Statutory Reporting:

- III-A-15 Certified Budget - Disbursements during the year ended December 31, 2015 were within the budgeted limits.
- III-B-15 Questionable Disbursement - We noted no questionable disbursements in regard to the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- III-C-15 Travel Expense – No disbursements of Utility money for travel expenses of spouses of Utility officials or employees were noted.
- III-D-15 Business Transactions – No business transactions between the Utility and Utility officials or employees were noted.
- III-E-15 Bond Coverage – Surety bond coverage of Utility officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- III-F-15 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- III-G-15 Deposits and Investments – We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa.
- III-H-15 Revenue Bonds – No instances of non-compliance with revenue bond resolutions were noted.